

freedom, we have to remember today there are men and women who are in harm's way. We cannot forget that for one single moment, and we have to be grateful and thankful that there are people like them who are willing to do one of the greatest sacrifices one can ever do to protect our freedoms, and we can never thank them enough.

Mr. KINGSTON. Mr. Speaker, I know for the 34 constituents that I lost in Iraq, and I believe the six to 12 in Afghanistan, I am certainly not going to forget them; and I am going to do everything I can to help promote Iraqi democracy and also jobs in America. We have got a good bill on jobs this week. I am looking forward to voting on it and supporting it.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. HENSARLING). Members are reminded to refrain from improper references to the Senate.

□ 1715

DEMOCRATS EXAMINE WAYS AND MEANS TAX PLAN

The SPEAKER pro tempore (Mr. HENSARLING). Under the Speaker's announced policy of January 7, 2003, the gentlewoman from Ohio (Mrs. JONES) is recognized for 60 minutes as the designee of the minority leader.

Mrs. JONES of Ohio. Mr. Speaker, I came here to talk about the proposed tax cuts, but as I sat here on the floor and listened to my colleagues, I would be remiss if I did not respond to a couple of issues that they raised. One of them was that they accused the Democratic Party of wanting the economy to stay in the dumps just so that we could be successful. I dare either of the gentlemen that just finished speaking to find any member of the Democratic Party that would want this economy to stay in the dumps just so we can be successful. But the Democratic Party is going to be successful on the issues and that is what I want to talk about.

Let me do one more thing, though. One of the things that was discussed, and this is called misrepresentation. One of my colleagues who spoke before me said that the Democrats were holding up the appointment of Justice Estrada at a time when justice needed to be dispensed in the District of Columbia and at a time when law and order was out of place and that he could be there trying cases. I just want to remind my colleague that Justice Estrada was being considered for an appellate court, not a trial level court and that justices on the appellate court do not do trial of fact. So that is again a misrepresentation that people make when they are trying to make one party different than the other. But I am not going to spend my time today in response to some of those things. I would just suggest that everyone needs

to pay attention and listen to the real words that people are saying.

Mr. Speaker, I rise today to express my concerns about the Chair of the Committee on Ways and Means' plan that was unveiled this week, marked up in a lively session of the Committee on Ways and Means yesterday and will be considered on this floor shortly. In my own city, the City of Cleveland, 53,900 people have lost their jobs since this President took office. That is 4.7 percent of the workforce. In my State, the State of Ohio, 167,000 people have lost their jobs since this President took office. That is 3 percent of the workforce. The Committee on Ways and Means considered over the past couple of days the plan of Chairman THOMAS. Unlike the Democratic stimulus plan that will be fast acting, fair and fiscally responsible, let me say those three Fs again, fast acting, fair and fiscally responsible, the Republican plan is another in a series of GOP tax plans that is economically irresponsible, narrowly tailored to benefit the wealthiest percentage of the population, and will not provide the immediate stimulus our economy needs in the form of job creation and productivity growth.

The chairman's bill has been referred to as a compromise to the President's so-called economic stimulus plan, perhaps with the hopes that Democrats would respond favorably to any compromise to the President's fiscally reckless plan. While Chairman THOMAS' bill does indeed have a different approach to some of the proposals offered by the President, the end result is still the same. It is poorly timed, shortsighted and narrowly designed to benefit only a small percentage of the population.

This compromise reminds me of an old witticism: You can hang a sign on a pig saying that it is a horse but it is still a pig. The gentleman from California has hung a sign on a bad economic policy and proclaimed it to be a fix that our economy needs. But just like the pig with the sign around its neck proclaiming it to be a horse, this plan has problems.

Let me talk about just a few of them. The treatment of dividends and capital gains. The GOP plan is not fair. The President's proposal for exempting dividends from being taxed was the centerpiece of his economic stimulus plan. While the Thomas bill does not contain that proposal and I believe it does not contain that proposal because in committee meeting after committee meeting, I kept saying to members of the committee and witnesses before the committee, do you understand the impact that the dividend tax cut will have on low-income housing credits? Do you understand the impact that a dividend tax cut will have, in fact, on annuity programs? And I think he finally got it. While the Thomas bill does not contain the same dividend tax cut proposal that was presented by the President, it revolves around reducing

the tax on capital gains and dividends as the cornerstone to sound economic policy.

Under current tax laws, capital gains are taxed at 20 percent. Dividends are treated and taxed as income at the applicable tax rate. The Thomas plan will lower the capital gains tax rate to 15 percent and also provides that all dividends be taxed at the same rate. Unlike the President's plan, the Thomas plan provides dividend tax relief regardless of how much Federal income tax is paid by a corporation. In this regard, the Thomas plan does not have as great an adverse impact on low-income housing tax credits and other corporate tax benefits that would have resulted under the President's plan. But this is the least egregious aspect of the plan and it is overshadowed by so many more unwise proposals.

The chairman's dividend capital gains proposal will cost approximately \$300 billion of the total \$500 billion cost of the plan. He boasts that this is less than the nearly \$400 billion cost of the President's dividend proposal. But he is relying on accounting gimmicks and unrealistic expiration dates. Many of the aspects of his plan are set to expire in 2006. But will these provisions really be allowed to expire? Most likely not. The more realistic outcome is that they will become a part of the ever-increasing number of tax provisions that are extended every few years. A more realistic estimate of the Thomas plan's economic impact on the Treasury must assume that its provisions will be extended beyond 2005. Under this realistic assumption, the \$550 billion cost of the Thomas plan not only exceeds the \$726 billion cost of the Bush plan but suddenly results in a total cost of about \$1 trillion through 2013, as indicated in the chart that I am about to show my colleagues.

This chart breaks down certain elements of the Thomas plan as compared to the Bush plan and concludes with the result of the Thomas plan being even more expensive than the Bush plan. For example, under the Bush plan, the dividend and capital gains tax cut would have been \$396 billion. Under the Thomas plan, \$296 billion of the tax cuts do not expire. However, the top bracket rate reductions effective only for 2003 will be the same and the child tax credit increases will be the same. But here is where we have to take a look and go further. Under the Thomas plan, we widen the 10 percent bracket effective 2003. It is \$45 billion. Under the Thomas package, it is \$18 billion. But if the tax cuts do not expire, it will go back up to \$45 billion as proposed in the President's plan.

Tax breaks for married couples. Under the Thomas proposal, it expires in 2005. The impact under the Bush proposal is \$55 billion. The Thomas, \$45 billion. But if this 2005 date is extended, the tax break for married couples will cost us \$55 billion.

Again, let us take a look at the business expensing. Proposed to expire in

2005, it would only cost \$9 billion under the Thomas plan but if in fact these cuts do not expire it will be \$29 billion.

I could go on. I know people get tired of a lot of numbers but I need to show the comparison of the tax cut packages.

Let us put up chart 2. IRS data shows that households with incomes over \$500,000 get, on average, 41 percent of their income from capital gains and dividends. On the other hand, households with incomes between 40 and \$75,000 get only 4 percent of their income from those sources. The gentleman from California's claims will not be the panacea for our struggling economy. For example, if you make over \$500,000, according to this, 40 percent of your income comes from capital gains and dividends. If you make only between zero and \$20,000, your income from capital gains or dividends is only 4 percent. So clearly the package as proposed by the gentleman from California is going to benefit folks who make over \$500,000. I do not know where many of you come from, but clearly this is not a package that will benefit the bulk of Americans.

The same IRS data shows that the \$500,000 income and higher households enjoy average capital gains and dividends of \$70,000 while the 40 to \$75,000 households have average capital gains and dividends of \$2,000. Under the GOP plan, millionaires will receive over \$100,000 from the new tax structure. But if you make \$50,000, you will receive about \$400. Or if you are in the lowest income strata, the new tax structure will give you back just \$53. We heard the earlier speakers talk about the benefit of putting the money back in the taxpayer's pocket. How much is \$53 going to buy? Especially when you think about collectively if we took all of our \$53 and left them in the pot, perhaps our senior citizens might have an opportunity to get a prescription drug benefit. Perhaps we might be able to fund the No Child Left Behind program. Perhaps we might be able to fund health care for more Americans. And perhaps we might be able to extend the unemployment compensation to Americans across this country.

Let me go to this chart very quickly. For example, taxpayer year 2003, if you made between 10 and \$20,000, you are getting \$53. If you made between 75 and \$100,000, you are going to get \$1,600. But if you are part of that fortunate few that this tax plan favors, you will get probably \$105,000 from this particular tax cut. Those taxpayers who will reap the highest gains from the Thomas plan account for .5 percent or one-half of 1 percent of taxpayers. Let me say that again. Those taxpayers who will reap the highest gains from the Thomas plan account for just .5 percent or one-half of 1 percent of taxpayers. Yet they will receive over 57 percent of all of the capital gains and dividends.

When we talk about a plan being fair, this plan is not fair. Quite the opposite

is true for taxpayers in the 45 to \$75,000 income bracket who comprise 21 percent of all taxpayers and account for 24 percent of income from all sources. Yet they will only receive 7 percent of the capital gains and dividends.

Let us try chart 4. Finally, the Thomas plan will benefit the wealthiest one-half of 1 percent of taxpayers nearly universally, as 94 percent of that group of taxpayers receives dividends or capital gains whereas just one-third of the 45 to \$75,000 income range taxpayers have investments that yield dividends or capital gains. For example, if we look at chart 4, we can see how much income is derived from capital gains and dividends based on income levels. It is a little different orientation from the chart I showed you that was chart 2. For example, if in fact you make over \$500,000, you are coming above almost 100 percent, you will receive that amount from your capital gains or dividend income as compared to people at the lower bracket.

The Republican Party will claim that the majority of senior citizens will benefit from dividends and capital gains taxes being reduced, but only 26 percent of seniors in this country receive dividend income that would be affected by this proposal. Let me say that again. Only 26 percent of seniors in this country receive dividend income that would be affected by this proposal. Republicans cite the fact that more and more people have a vested interest in the stock market. Yeah, we sure had a vested interest in the stock market and look what happened: Enron, Global Crossing, WorldCom, the list goes on, and that they would now benefit from this proposal. Maybe this proposal should have come around before all of us lost the money we lost in the stock market. While they are correct in the assertion that over 50 percent of the population is in the market, Republicans distort or ignore the manner by which people do participate in the market.

□ 1730

The majority of this participation is through a 401(k) plan or pension plans and other retirement accounts that are exempt from this taxation anyway, and most of the people who receive money are in a pool wherein those dollars accrue to their retirement plan or a pension plan but not to them individually.

Let me talk about deficits for a moment because one of the things that I said when I started was that any plan that stimulates the economy, it must be fast, it must be fair, and then it must be fiscally sound.

The GOP plan is not fiscally responsible. While the Thomas bill claims to offer a compromise to President Bush's irresponsible plan on the subject of dividend tax reform, which it really does not, it certainly does not compromise on the subject of being fiscally irresponsible and harmful to the longer-

term state of the economy. Republican lawmakers in general, and the gentleman from California (Mr. THOMAS) is certainly no exception, are under the frightful illusion that deficits do not matter. Did the Members hear that? Deficits do not matter. Even Mr. Greenspan has said that deficits are important, but Republicans are now saying they do not matter. Keep in mind when we had a low deficit, our economy was doing better. Keep in mind that as we continue to have greater deficits, I anticipate that our economy will have more trouble.

The Republican economic plans push for tax cuts that will put the Federal Government in a position of having to borrow \$1.5 trillion over the next 10 years. Let us count that, \$1.5 trillion over the next 10 years, with no balanced budget in sight. The resulting debt load on the fiscally ignorant Republican plans being presented to us will be about \$50,000 per American household. Talk about putting our grandchildren and our children in debt.

When asked to account for this fiscal lunacy, the Republicans claim that the tax breaks offered now will compel people to save more in anticipation of leaner times to come. The speculative statement on the psyche of the American taxpayer just does not make any sense. By borrowing this additional \$1.5 trillion over the next 10 years and saddling American households with \$50,000 of that debt load, Republicans are placing a cumbersome tax burden on future generations of children. To cover the interest costs alone on that debt will require us to zero out all unemployment compensation plus other programs such as SSI to the tune of \$400 billion, the refundable earned income child tax credit of \$357 billion; food stamps, \$274 billion; family support, \$259 billion; and student loans, State's children's health insurance, and veterans' pensions, \$149 billion.

Cutting any of these programs is neither compassionate nor is it conservative, but it will be a reality if this fiscal recklessness gets enacted into law.

I have now just seen that my colleague from the great State of Louisiana (Mr. JEFFERSON) has joined me as we do this Special Order. I yield to him.

Mr. JEFFERSON. Mr. Speaker, I would like to thank the gentlewoman from Ohio for yielding to me and for the wonderful work that she is doing in this area and for the Special Order that she has taken out this evening to explain to the American taxpayers and to the American people just what is at risk by these Republican policies.

I know she has covered a great deal of territory already, but I want to just talk about things perhaps that have not yet been discussed or, if they have been, discussed tangentially. And that is the issue of what the government ought to be doing with respect to tax policy. I had the good fortune, the gentlewoman might remember, of doing a great deal of work on this tax policy.